



LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

BROOKHAVEN HOMES OF LOUISIANA, INC.

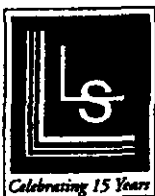
**FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-18-04

BROOKHAVEN HOMES OF LOUISIANA, INC.
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LUTHER SPEIGHT & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brookhaven Homes of Louisiana, Inc.

We have audited the accompanying statement of financial position of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of June 30, 2003, and the related statement of activities. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion of these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Agency reflected a Payroll tax liability recorded at \$126,057 as of June 30, 2003. We were not provided with sufficient documentation to satisfy ourselves as to the accuracy of the liability.

Brookhaven's grant revenue's for June 2003 totaled \$176,771 as compared to prior year of \$264,642. In addition, the agency's net assets reflected a negative balance of (\$121,231). This decrease in funding totaling \$101,484, coupled with the delinquent payroll tax liability, raises substantial doubt about Brookhaven's ability to continue as a going concern.

Additionally, the company did not to present a statement of cash flow for the year ended June 30, 2003. Presentation of such statement summarizing the company's operating, investing, and financing activities is required by generally accepted accounting principles in the United States of America.

In our opinion, except for the affects of such adjustments, if any as might have been determined to be necessary had we been able to satisfy ourselves with alternative procedures, regarding the Agency's payroll tax liability and matters arising from going concern issues, as discussed in the preceding paragraphs, the financial statements referred to in the first paragraph are present fairly, in all material respects, the financial position and related statement of activities of Brookhaven Homes of Louisiana, Inc. as of June 30, 2003 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2003 on our consideration of Brookhaven Homes of Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Brookhaven Homes of Louisiana, Inc. taken as a whole. The accompanying schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



New Orleans, Louisiana
December 30, 2003

BROOKHAVEN HOMES OF LOUISIANA, INC.**STATEMENT OF FINANCIAL POSITION**

June 30, 2003

ASSETS**Current Assets**

Cash	\$ 226
Grant Receivable	<u>20,243</u>

Total Current Assets	<u>20,469</u>
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Other Current Assets

Deposit	100
Due From Other Entity	<u>178</u>

Total Other Current Assets	<u>278</u>
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Property and Equipment

Furniture & Fixtures	11,906
Accumulated Depreciation	<u>(10,296)</u>

Total Property and Equipment	1,610
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TOTAL ASSETS	<u>22,357</u>
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts Payable	9,959
Due to Shareholder	7,572
Payroll Taxes Payable	<u>126,057</u>

Total Current Liabilities	143,588
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NET ASSETS

Net Assets	<u>(121,231)</u>
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Total Net Assets	(121,231)
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TOTAL LIABILITIES AND NET ASSETS	<u>22,357</u>
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See accompanying notes.

BROOKHAVEN HOMES OF LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Grant Revenue	\$ -	\$ 176,771	\$ 176,771
Miscellaneous Income	14	-	14
Net Assets Released From Restrictions			
Restrictions Satisfied by Depreciation	2,010	(2,010)	-
Restrictions Satisfied by Payments	<u>278,810</u>	<u>(278,810)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>280,834</u>	<u>(104,049)</u>	<u>176,785</u>
EXPENSES			
Program Services	278,810	-	278,810
Support Services	<u>4,659</u>	<u>-</u>	<u>4,659</u>
Total Expenses	283,469	-	283,469
CHANGE IN NET ASSETS	(2,635)	(104,049)	(106,684)
NET ASSETS AT BEGINNING OF YEAR	<u>(8,917)</u>	<u>- (5,630)</u>	<u>(14,547)</u>
NET ASSETS AT END OF YEAR	<u>(11,552)</u>	<u>(109,679)</u>	<u>(121,231)</u>

See accompanying notes.

BROOKHAVEN HOMES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1 - BACKGROUND

Brookhaven Homes of Louisiana, Inc. (the agency) was established in Louisiana in 1989 as a non-profit corporation to provide substitute family housing to adults and youths that have severe mental health ailments. In addition to those services, the agency also provides a client assistance program for adults who live independently, but need support and case management. The agency also provides assistance to those who are homeless. The agency performs these services for individuals through state and local agencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The agency uses the accrual method of accounting and follows the standards of accounting and financial reporting outlined by the American Institute of Certified Public Accountants in its Audit and Accounting Guide, Audits of Not-for-Profit Organizations.

Property and Equipment

Property and equipment acquired by the agency are considered to be owned by the agency. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of six years. Expenditures for maintenance and repairs are charged to operation as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are recognized.

Income Taxes

The agency operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service (IRS) under Section 501© (3) of the Internal Revenue Code. The agency's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Legend of Revenues and Expenditures by Program

ASFC - LA Department of Health & Hospitals Office of Mental Health Adult
Substitute Family Care Services
KSFC - LA Department of Health & Hospitals Office of Mental Health Adolescent
Substitute Family Care Services
OCDD - LA Department of Health & Hospitals Office for Citizens with
Developmental Disabilities
SIL Waiver - State of Louisiana Department of Health & Hospitals Medicare/Medicaid
Waiver

NOTE 3 – RESTRICTIONS ON NET ASSETS

Substantially all of the restrictions on net assets at the end of June 30, 2003 are related to funds received through federally awarded grants to provide services to adults and adolescents with chronic mental illness. These services range from foster care, case management, mentoring, and overall client care. Those temporary restrictions are considered to expire when payments are made.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consist of the following at June 30, 2003:

Furniture and Equipment	\$ 11,906
Less Accumulated Depreciation	<u>(10,296)</u>
Net Property, Plant & Equipment	<u>\$ 1,610</u>

Depreciation expense for furniture and equipment is charged to management and general expense. Depreciation expense totaled \$2,010 for the year ended June 30, 2003.

NOTE 5 – GRANT RECEIVABLE

The agency is the recipient of various reimbursements for contract expenditures made according to agreements with the State of Louisiana. The Grant receivable stated at \$20,243 represents reimbursements earned and not received prior to the agency's fiscal year-end of June 30, 2003. The outstanding reimbursements are detailed below:

SIL Waiver	629
ASFC	6,840
KSFC	9,060
OCDD	<u>3,714</u>
Total	<u>\$20,243</u>

NOTE 6 – UNPAID PAYROLL TAXES

There is a \$126,057 payroll tax liability recorded at June 30, 2003, however as referenced in the financial statement opinion of this report, we were unable to determine whether this amount was accurate due to the lack of supporting documentation.

NOTE 7 – ECONOMIC DEPENDENCY

The agency receives the majority of its revenue from only a few grants and from a few state and locally sponsored agencies. If budget cuts from funding sources are made at the state and local levels, the amount of the funds the agency received could be significantly reduced, with resultant adverse impact on revenues and operations. Management is not aware of any plans on the part of its current funding sources to significantly reduce payments to the agency.

NOTE 8 – GRANT REVENUE

The agency is the recipient of two grants from the State of Louisiana Office of Mental Health awarded for the purpose of developing and operating a substitute family care program to adolescents and adults with chronic mental illnesses. A total of \$128,431 was received under these grants for the year ending June 30, 2003.

The agency is the recipient of a grant from the Office for Citizens with Developmental Disabilities awarded personal care attendant services provided by the organization. The amount of this grant received during the year ending June 30, 2003 was \$ 14,435.

The agency is the recipient of a grant from the Department of Health and Hospitals awarded for the purposed of providing services to adults who are mentally handicapped living independently with everyday responsibilities. Services provided include, but is not limited to medication intake, minor house repairs, housekeeping, and overall client care. The amount received during the year ended June 30, 2003 was \$ 20,291.

SCHEDULE OF FUNCTIONAL EXPENSES

BROOKHAVEN HOMES OF LOUISIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	ASFC	KSFC	OCDD	SIL Waiver	OMH	General	Total
Advertising			40				40
Automobile Expense				652			652
Background Checks		858					858
Bank Service Charges						2,649	2,649
Client Care	2,252			850			3,102
Contract Labor	20,415	9,762	5,496	8,036	400		44,109
Contributions							
Depreciation Expense							
Dietary Foods				1,721		2,010	2,010
Equipment Rental	135			90			1,721
Family Payments	20,554						225
Insurance	1,946						20,554
Janitorial				225			1,946
Licenses and Permits				90			225
Miscellaneous				5,000			90
Office Expense			45	106			5,000
Payroll Expense	26,783	31,983	21,757	37,039			151
Postage and Delivery			101				117,562
Printing & Reproduction				212			101
Professional Fees				2,150			212
Rent	3,700	6,287	2,994	246			15,131
Repairs	12,800	60		8,740			13,046
Supplies	2,758	450	1,813	5,099			8,800
Telephone	8,238						10,120
Tolls and Parking				100			8,238
Training & Seminars	50			200			100
Travel and Entertainment			842	23,640			250
Utilities	1366			729			24,482
Total Expenses	100,997	49,400	33,088	94,975	400	4,659	283,469

See Independent Auditor's Report.

SUPPLEMENTAL INFORMATION



LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Brookhaven Homes of Louisiana, Inc.

We have audited the financial statements of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Brookhaven Homes of Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Brookhaven Homes of Louisiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Brookhaven Homes of Louisiana, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1 - 03-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial that might be material weaknesses. However, of the reportable conditions described above, we consider items 03-1 - 03-3 to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Arthur B. Smith".

New Orleans, LA
December 30, 2003

BROOKHAVEN HOMES OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

03-1 PAYROLL TAX LIABILITY

QUESTIONED COSTS: -0-

CONDITION:

The Agency's financial statements reflect an outstanding payroll tax liability of \$126,057 as of year-end. This balance has increased since the prior year and generally reflects a lack of timely payments of taxes. Also, adequate documentation supporting the amounts owed was not on file.

CRITERIA:

Financial statement balances should be properly supported.

EFFECT:

We were unable to determine whether the payroll tax liability at June 30, 2003 was accurately recorded.

CAUSE:

The Agency had not paid payroll taxes on a timely basis.

RECOMMENDATION:

We recommend that the Agency remit payroll taxes on a timely basis. Adequate documentation of amounts owed should be maintained on file.

03-2 CANCELED CHECKS NOT ON FILE
QUESTIONED COSTS: \$-0-

CONDITION:

During our disbursements testwork, we requested a total of thirty-two (32) canceled checks associated with payroll transactions, however, the agency could not locate one (1) of the requested checks. Additionally, we requested forty-one (41) canceled checks associated with non-payroll disbursements, however, one (1) of these checks could not be located.

CAUSE:

Due to inadequate file maintenance procedures, the checks were removed from bank statements and not returned to file.

EFFECT OF CONDITION:

We were unable to determine if these transactions were supported by canceled checks.

CRITERIA:

In association with grant expenditures, a complete audit trail must be maintained which includes all appropriate supporting documentation.

RECOMMENDATION:

We recommend that all canceled checks be maintained on file throughout the year. Additional check copies should be requested from appropriate financial institutions if they become misplaced or lost.

03-3

**TIMELY SUBMISSION OF AUDIT
QUESTION COSTS: \$ -0-**

CONDITION:

The audit of Brookhaven Homes of Louisiana was not timely completed as required by the State of Louisiana's Legislative Auditor.

CAUSE:

The agency did not procure professional services in a timely manner.

EFFECT:

Brookhaven Homes of Louisiana is in noncompliance with state law, which requires a non-profit organization to submit its audit within six months of year-end.

CRITERIA:

The Louisiana Revised Statute requires all governmental and quasi-public entities required to be audited complete the audit process and submit required reports to the Legislative Auditor of the State of Louisiana within six months of the entity's year-end.

RECOMMENDATION:

We recommend that professional services be procured within a reasonable and timely manner, as required by the State of Louisiana Legislative Auditor.

**BROOKHAVEN HOMES OF LOUISIANA, INC.
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Resolved</u>	<u>Unresolved</u>
Finding #1 Payroll Tax Liability		X
Finding #2 Inadequate Supporting Documentation		X
Finding #3 Account Classification Errors	X	

MANAGEMENT CORRECTIVE ACTION PLAN

Management's response to the current year findings was not available upon completion of this audit report.